

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED OCTOBER 6, 2010

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$17.82. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor’s Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 6094 or Report ID No. 80100004 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne “Skip” Irwin, Administration Manager, at 225-339-3800.

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Our procedures at South Louisiana Community College (college) for the period July 1, 2008, through June 30, 2010, disclosed:

- For the second consecutive engagement, the college had inadequate controls over accounts receivable. Management of the college could not provide supporting documentation for adjustments to student receivables totaling \$15,970. In addition, management was unable to provide documentation that the college performed reconciliations between subsidiary ledgers and the general ledger for fiscal year 2010. Failure to maintain support for adjustments and to reconcile could result in misstated or unreliable financial data and undetected errors or fraud.
- The college did not maintain sufficient controls over the Academic Competitiveness Grant (ACG) (CFDA 84.375) to determine eligibility and disburse grant funds in a timely manner. For fiscal year 2010, the college did not determine, as of March 23, 2010, which students were eligible to receive ACG funds. As a result, no funds were disbursed by the end of the payment period for the fall 2009 semester. Hence, eligible students were not provided funds that should have been available to them.
- The college's scholarship allowance calculation mistakenly excluded exemptions, waivers, and grant revenue related to concurrently enrolled high school students. This exclusion caused net statement tuition to be overstated by \$378,300.
- No significant control deficiencies or errors related to professional services, travel expenses, fees retained by the college, accounts payable, and funds spent on the college's parking lot and portable building projects were identified.

This work did not constitute an audit under auditing standards. This report is a public report and has been distributed to state officials. We appreciate the college's assistance in the successful completion of our work.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

July 28, 2010

**SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at South Louisiana Community College (college) for the period from July 1, 2008, through June 30, 2010.

- Our auditors obtained and documented a basic understanding of the college's operations and system of internal controls through inquiry, observation, and review of the college's policies and procedures documentation, including a review of the related laws and regulations applicable to the college.
- Our auditors performed analytical procedures consisting of comparisons of the most current and prior year financial activity for the engagement period using the college's financial information and obtained explanations from college management of any significant variances.
- Our auditors reviewed the status of the finding identified in the prior year engagement. In our prior report on the college, dated October 24, 2008, we reported a finding relating to inadequate controls over student accounts receivable. That issue remained a problem.
- Based on the documentation of the college's controls and our understanding of related laws and regulations, additional procedures were performed on selected controls and transactions relating to the college's year-end adjusting entries to its financial data, professional services, travel expenses for fiscal year 2009 and fiscal year 2010, fees that are allowed to be retained by the college, accounts payable, and funds spent on the college's parking lot and portable building projects.

Based upon the application of these procedures, the prior year finding regarding inadequate controls over student accounts receivable has been repeated in this report. We found no significant control deficiencies or errors relating to professional services, travel expenses, fees retained by the college, accounts payable, and funds spent on the college's parking lot and portable building projects.

The following significant findings are included in this report for management's consideration:

Inadequate Controls Over Accounts Receivable

For the second consecutive engagement, the college did not reconcile the student and contract receivables subsidiary ledger to the general ledger in a timely manner and did not provide adequate support for certain adjustments to the accounting records. Good internal controls require reconciliations between supporting ledgers and the general ledger as well as documentation for each adjusting journal entry.

The college uses the Peoplesoft Student Administration module to calculate student tuition and enrollment fees and to process subsequent payments to the students' accounts. This module interfaces with the college's general ledger so at any time the control account in the general ledger for student receivables should agree to the individual accounts in the student administration module (the subsidiary ledger).

Procedures performed at the college disclosed the following:

- In a sample of adjustments to the student receivables control account totaling \$237,430, management could not provide supporting documentation for adjustments totaling \$15,970. Student receivables at June 30, 2009, totaled \$1,553,854.
- As of March 22, 2010, management was unable to provide documentation that the college performed quarterly reconciliations between the student receivables subsidiary ledger and the contracts receivable subsidiary ledger to the respective control accounts in the general ledger for the fiscal year 2010.

The college did not implement established control procedures to ensure that the student and contract receivables general ledger control accounts and the subsidiary accounts were properly reconciled. Failure to reconcile accounting records and provide support for adjustments could result in misstated or unreliable financial data and undetected errors or fraud.

Management should reconcile the student and contract receivables subsidiary ledger to the general ledger in a timely manner and provide adequate support for certain adjustments to the accounting records. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Weakness Over Federal Academic Competitiveness Grant

The college did not maintain sufficient controls over the Academic Competitiveness Grant (ACG) (CFDA 84.375) to determine eligibility and disburse grant funds in a timely manner. ACG is available for first- and second-year college students who qualify for Pell Grant funds and have completed a required high school curriculum. ACG will provide up to \$750 for the first year of undergraduate study and up to \$1,300 for the second year

of undergraduate study to eligible full-time students. Beginning in fiscal year 2010, a part-time student may be eligible to receive ACG with the grant being prorated proportionally to the student's enrollment. The U.S. Code of Federal Regulations (CFR), Title 34, Chapter 668, Section 164(b), states that an institution must disburse funds on a payment period basis. The payment period as defined by CFR Title 34, Chapter 668, Section 4, is an academic term or semester.

For fiscal year 2010, the college did not determine, as of March 23, 2010, which students were eligible to receive ACG funds. As a result, no funds were disbursed by the end of the payment period for the fall 2009 semester. Failure to determine eligibility and disburse funds in a timely manner results in noncompliance with federal regulations. In addition, eligible students were not provided funds that should have been available to them.

Management should strengthen controls to ensure that ACG funds are timely disbursed to or on behalf of eligible students in compliance with program regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Weakness Over Scholarship Allowances

Management did not adequately analyze and adjust its accounts to calculate and report scholarship allowances accurately in its financial statements. Good internal control requires adequate preparation and review procedures to prevent and detect errors in the financial data submitted for the inclusion in the Louisiana Community and Technical College System Annual Financial Report.

The college did not have adequate control over its financial reporting for scholarship allowances. The college's scholarship allowance calculation excluded exemptions, waivers, and grant revenue related to concurrently enrolled high school students. This exclusion caused scholarship allowances reported in the financial statements to be understated by \$378,300 causing net student tuition to be overstated by the same amount.

Management should review its financial statements to ensure that they are adequately supported and prepared in accordance with reporting guidelines for scholarship allowances. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the college. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the college should be considered in reaching decisions on courses of action. The findings relating to the college's compliance with applicable laws and regulations should be addressed immediately by management.

Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

The financial information of the college provided to the Louisiana Community and Technical College System was not audited or reviewed by us, and, accordingly, we do not express an opinion on that information. The college's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

This report is intended for the information and use of the college, its management, others within the college, the Louisiana Community and Technical College System, the System's Board of Supervisors, and the Louisiana Legislature. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

RJM:BH:EFS:THC:ja

SLCC10

Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



SOUTH LOUISIANA COMMUNITY COLLEGE

June 7, 2010

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Inadequate Controls over Accounts Receivable

Dear Mr. Purpera:

In response to the above reference audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

South Louisiana Community College concurs with the audit findings and recommendations.

CORRECTIVE ACTIONS:

Management of SLCC recognizes the importance of maintaining an adequate control over its financial reporting for Accounts Receivable. In response to the initial audit finding concerning problems with accounts receivable reconciliation to the general ledger, SLCC contracted with an external People Soft IT consultant to help address system inadequacies. The consultant worked over a period of months with the staff and with his assistance, the staff were able to link students to third party contracts (including Pell) and use the system to determine contract receivables. The work completed by the consultant appeared to successfully address the People Soft IT problem. However, in the Fall Semester the Business Office determined that the majority of third party contracts linked to student accounts were hard coded by the consultant and had created duplicate journal entries (credit A/R and debit to C/R). Those errors were then corrected on the Student Receivable side that was causing duplication of journal entries. Journal entries were subsequently created to eliminate the duplication that occurred from the incorrect setup of linking. Unfortunately, the process of resolving these issues was extremely time consuming and resulted in the inability of the Business Manager to reconcile AR in a timely manner.

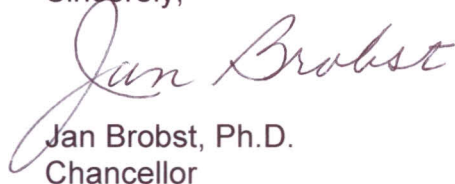
A Member of the Louisiana Community and Technical College System

The essential importance of getting the reconciliation completed in a timely manner and remaining on schedule has been firmly established as the top priority for the college's Business Manager, Janet LaGrange. To support this organizational priority, more resources have been allocated to the business department including the addition of a part-time accountant position with responsibilities related directly to daily cash journal entries and reconciliation of accounts receivables and contract receivables on a daily basis.

Management will ensure that student and contract receivables subsidiary ledger are reconciled to the general ledger in a timely manner. The anticipated completion date is June 30, 2010.

The persons responsible for corrective action are Rudy Gonzales, Vice Chancellor of Administration and Finance through management staff, Janet LaGrange, Business Manager.

Sincerely,



Jan Brobst, Ph.D.
Chancellor

Cc: Rudy V. Gonzales
Vice Chancellor of Administration and Finance



SOUTH LOUISIANA COMMUNITY COLLEGE

May 24, 2010

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Weakness over Federal Academic Competitiveness Grant

Dear Mr. Purpera:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

South Louisiana Community College concurs with the audit findings and recommendations.

CORRECTIVE ACTIONS:

Management of SLCC recognizes the importance of maintaining sufficient controls over the Academic Competitiveness Grant (ACG) to determine eligibility and the delivery of grant funds in a timely manner. Staff misinterpreted the Federal Regulations on the payment period. The interpretation of academic term was interpreted as the academic year as defined in the Financial Aid Handbook. The staff failed to determine eligibility and deliver funds to the Business Office before the end of the fall semester to be disbursed. ACG was awarded and delivered to the Business Office for disbursement in March 2010 to eligible students for fall and spring; before the end of the spring semester.

The payment period according to the U.S. Code of Federal Regulations (CFR), Title 34, Chapter 668, and Section 164(b) has been brought to the attention of staff. To determine eligibility and to disburse funds in a timely manner, an additional financial aid advisor has been hired to assist in compliance of the federal regulations.

The person responsible for corrective action is Dr. Theodore Hanley, Vice Chancellor of Academic and Student Affairs through management staff, Meltida Wilson, Dean of Students and Shonda Rosinski, Director of Financial Aid.

Sincerely,

Jan Brobst, Ph.D.
Chancellor

A Member of the Louisiana Community and Technical College System

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SOUTH LOUISIANA COMMUNITY COLLEGE

May 24, 2010

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Weakness Over Scholarship Allowances

Dear Mr. Purpera:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

RESPONSE:

South Louisiana Community College concurs with the audit findings and recommendations.

CORRECTIVE ACTIONS:

Management of SLCC recognizes the importance of maintaining an adequate control over its financial reporting for scholarship allowances. The policy on the exclusion of the exemptions, waivers, and grant revenue related to concurrently enrolled high school students has been reviewed extensively with staff. A report that was created to list the exemptions and waivers inadvertently left out the concurrently enrolled high school students. That report has been updated to include the code for concurrently enrolled high school students. Management will ensure that a review and analysis on any variances from one period to the other are noted and determine whether the amount being reported is correct.

The report noted as a corrective action has been completed.

The person responsible for corrective action is Rudy V. Gonzales, Vice Chancellor of Administration and Finance through management staff, Janet LaGrange, Business Manager and Gloria Smith, Financial Manager.

Sincerely,

Jan Brobst, Ph.D.
Chancellor

A Member of the Louisiana Community and Technical College System

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